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IN THE

Supreme Court of the United States

OCTOBER TERM, 1959

THE AMERICAN SECURITY COMPANY,
Petitioner,

v.

SHATTERPROOF GLASS CORPORATION

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

The American Securit Company, petitioner, prays that a writ of certiorari issue to review the judgment of the Court of Appeals for the Third Circuit affirming a summary judgment of the District Court for the District of Delaware dismissing petitioner's complaint for patent infringement.

Opinion Below

The opinion of the court below (31)* is reported at 268 F. 2d 769 and unofficially reported in 1959 Commerce Clearing House Trade Cases ¶ 69,402 and 122 USPQ 167. The opinion of the District Court for the District of Delaware on summary judgment (R. 164a) is reported in 154 F. Supp. 890 (1957), 1957 Trade Cases ¶ 68,802, and 114 USPQ 259. Other opinions of the District Court (R. 211a, 225a) are reported in 166 F. Supp. 813 (1958); 118 USPQ 526 and 119 USPQ 49.

*References without a letter are to the appendix to this petition. References to Appellant's Appendix in the court below are "R. 1a" and to Appellee's Appendix "R. 1b".

JURISDICTION

The judgment of the Court of Appeals was entered on July 14, 1959. (49) A petition for rehearing was denied on August 24, 1959. (50) The jurisdiction of this Court is invoked under 28 U. S. C. Section 1254.

QUESTIONS PRESENTED

I. Relating to patent misuse in general

1. Is it per se a patent misuse for the owner of a group of patents, all of which relate to the manufacture of a single product, to include all of the patents in a single license agreement ("package") for a single royalty.

a. Is this a misuse regardless of the nature and character of the patents, their interrelation, or whether one is basic and others complimentary.

b. Is this a misuse without regard to a consideration of the effect of the practice on competition in the field of the patent.

c. Is this a misuse without consideration of the relevant market for the product made by use of the patents.

2. Is it per se a patent misuse for such a patent owner to charge a single royalty for a group of patents, which permits the licensee to use "any, some, or all" of the patents.

a. Is it a misuse for such a patent owner to decline to set a royalty for some of the patents lower than the royalty charged for all.

3. Where such a patent owner has granted several licenses to persons who requested a license under all the

patents, is it per se a misuse for such patent owner to charge the same royalty to a person who requests less than all the patents.

4. Can a patent owner be found guilty of unlawfully extending a patent monopoly by declining to agree to a royalty requested by a prospective patent licensee, when the prospective licensee had a right to apply to an antitrust court to determine a reasonable royalty for the desired patents.

II. Relating to Consent Decrees

1. In a patent infringement suit where the defense is patent misuse based upon alleged violation of an antitrust consent decree, should it be the duty of the infringement suit court to refer the question of violation to the court which entered the antitrust decree.

2. Does one district court have jurisdiction to rule that a party to an antitrust decree in another district court has violated that decree.

3. Where a district court has suspended proceedings in an infringement suit at the request of the United States, which had petitioned the antitrust court to enjoin the patent owner from suing the infringer, may the district court dismiss the infringement action after the antitrust court has declined to enjoin the suit.

4. Where a court which has entered an antitrust decree has specifically ruled that a patent owner's licensing practices do not violate the decree, are other courts bound to accept that ruling.

5. Can any district court find a violation of a consent decree for engaging in package licensing, where any per-

son, including the United States, had an absolute right to request the antitrust court to enjoin the allegedly improper practice.

6. Can a patent owner be found guilty of violating a consent decree by requesting an applicant to accept a package license, where the patent owner had no power to prevent the use of its patents, and any person could apply to the antitrust court to fix a reasonable royalty on the patents wanted.

7. Where a consent decree contains the standard provisions for compulsory licensing at a reasonable royalty which may be fixed by the antitrust court, is a patent owner who has issued several identical licenses providing for the use of all its patents for a fixed royalty, per se guilty of violation of the decree for declining to offer a later applicant a lower royalty for use of less than all the patents.

8. Does the issuance by petitioner of its standard form license constitute a violation of the consent decree.

III. Relating to Summary Judgment

1. May a district court enter a summary judgment of patent misuse extending a patent monopoly by package licensing (a) without examining the patents, or determining their nature and character, their interrelation, and whether one is basic and the other complementary, and (b) without regard to a consideration of the effect of the alleged practice on competition in the field of the patent, and the relevant market for the product.

2. May a district court enter a summary judgment of violation of an antitrust consent decree without such an examination.

3. May a district court enter a summary judgment on a finding that a patent owner has declined to license less than all its patents where the record shows the patent owner did in fact offer to license less than all, but for the same royalty.

4. Is it proper for a district court on summary judgment to find certain ultimate facts, where a court of appeals in another circuit has concluded from the same evidence that genuine issues of material fact exist requiring a trial, and another district court after a hearing on the same evidence has found the ultimate facts to the contrary.

STATEMENT

Petitioner, The American Securit Company, owns many patents on the tempering of glass. Tempered glass is glass which has been strengthened by unique heat treatment. Shatterproof Glass Corporation, defendant below, is a Delaware corporation, with its principal place of business in Detroit, Michigan, and having no place of business in Ohio. It manufactures glass capable of being tempered.

On October 30, 1948, a consent decree (sometimes referred to as the "Toledo decree") was entered by the District Court of the United States for the Northern District of Ohio, Western Division, in Civil Action No. 5239, in an action brought by the United States against Libbey-Owens-Ford Glass Company and eight other defendants, including petitioner. (R. 37a, 164a) Section XIV of the consent decree required each defendant to grant a license under "any, some, or all" of its patents (petitioner then had 41 patents and one application), subject to the following conditions: (a) an applicant must apply in writing for a license, (b) the licenses must be non-discriminatory; (c) if petitioner and an applicant cannot agree on a royalty

rate, the applicant may ask the Ohio court to fix a reasonable royalty, (d) the license must provide that the licensee may cancel after one year, (e) the licensee can contest validity at any time, (f) the Attorney General of the United States was authorized to participate in any hearing for a determination of a reasonable royalty. (R. 187a, 1b-11b, 1948 CCH Trade Cases ¶ 62,323)

In March 1949, petitioner granted to applicant Libbey-Owens-Ford Glass Company (LOF) a package license of all petitioner's 42 patents for a royalty of 2¢ per square foot for glass manufactured and sold using any of the patents. At the same time, Pittsburgh Plate Glass Company (PPG) applied for and received a license under 40 patents for the same 2¢ royalty. (R. 255a)

Before the LOF and PPG licenses were executed, petitioner requested the Antitrust Division of the Department of Justice to discuss the proposed licenses, which request was refused. (R. 255a, 256a)

In July, 1950, petitioner issued to Croname, Inc., a license at the same 2¢ royalty on 37 patents, being all the patents then owned by petitioner. This license was then printed, designated "Standard License Contract" and offered generally to the trade. (R. 256a)

Between 1949 and 1955 approximately twenty companies discussed with petitioner its standard license or a similar license, and seven companies executed the standard licenses at the 2¢ royalty. (R. 243a, 256a)

From 1951 to 1955 there was a voluminous exchange of correspondence between petitioner and Shatterproof Glass Corporation. (R. 45a-84a, 256a)

On March 4, 1953, Shatterproof requested petitioner (R. 70a) to state the royalty rate for all petitioner's patents and patent applications and for four groups or packages: group I contained all petitioner's patents, group II contained all patents to be issued on pending applications,

group III contained nine patents listed by number, and group IV called for patents issued on applications.

On March 19, 1953 petitioner offered the same license as already enjoyed by five named licensees (R. 73a), stating "under the non-discriminatory clause of the Toledo decree we are precluded from varying the terms of the various licenses that we grant, although I presume that if you wish your licenses restricted to certain specified patents among those listed in the schedule (which is a complete list of our patents) we are able to meet your wishes. However, as the royalty will be the same whether one or more patents are used by the licensee none of the above companies have desired elimination of any of the above patents from their licenses."

The royalty rate offered Shatterproof was 2¢ per square foot, the same as was being paid by all licensees. (R. 73a-74-a) After eight-months' delay, on December 29, 1953 Shatterproof demanded a statement of the royalty attributable to each patent "in the group," not specifying what group.

On January 5, 1954 petitioner informed Shatterproof (R. 77a) that it would issue a license on any individual patent at a royalty of 2¢ per square foot. On February 2, 1955 Shatterproof stated that petitioner had violated Sections XIV-A and C of the Toledo decree in that it had "refused to assign royalty rates to individual patents." (R. 84a)

Shatterproof constructed the infringing apparatus and completed it in September 1952. (R. 112a) At that date it commenced selling the product made by the infringing apparatus. (R. 115a)

Petitioner filed the complaint in the District Court of Delaware on March 7, 1955 (R. 21a), and alleged in Counts I to IV infringement of four patents belonging to petitioner, and alleged in Counts V and VI unfair competition. The answer was filed May 10, 1955 (R. 29a), denied the mate-

rial allegations of the complaint, and alleged as affirmative defenses that petitioner was barred from enforcing its patents because of misuse by illegally extending its patent monopoly and by violation of the consent decree.

Shortly after the answer containing these defenses was filed, Shatterproof filed an application in the Ohio Court on July 25, 1955 seeking a determination by it of a reasonable royalty for the patents sued upon in the instant action, for an order requiring petitioner to comply with the Toledo decree, and for such other relief as the Ohio Court deemed proper. (R. 212a, 19b)

In the Ohio Court, Shatterproof requested among other things (1) that the Ohio Court declare Shatterproof entitled to relief under the consent decree from petitioner's charges of infringement, (2) that the Ohio Court set a reasonable royalty under the four patents, and (3) that petitioner be compelled to apportion the royalty rate of 2¢ per square foot among individual patents or groups of patents.

On October 6, 1955 the United States filed in the Ohio Court a "Petition of the United States for Order for the Construction and Enforcement of the Final Judgment" in which it alleged that the action of petitioner in bringing the instant infringement suit against Shatterproof was barred by and constituted an attempt to defeat the Toledo decree. It prayed that petitioner be permanently enjoined from taking any action in any court to prevent an applicant for a license from exercising any right conferred by the Toledo decree. (R. 213a, 21b)

On October 7, 1955, the United States intervened in the Delaware Court and filed a "Representation of the Interest of the United States" in which, among other things, it asked the Delaware Court to refrain from taking any further action pending a decision by the Ohio Court upon the petition of the United States filed therein. (R. 87a, 213a) On

October 10, 1955, the Delaware Court entered an order staying action in the Delaware Court until after a hearing and determination by the Ohio Court of the petition of the United States. (R. 89a, 90a, 213a)

On October 19, 1955, after a hearing in the Ohio Court, Judge Frank L. Kloeb delivered an oral opinion in which he stated that Shatterproof had not filed its application in good faith, that it had "unclean hands," and Shatterproof having admitted infringing plaintiff's patents, he (Judge Kloeb) did not "believe the Decree was promulgated for the purpose of protecting a wrongdoer." (R. 102a) On December 13, 1955 the Ohio Court entered a formal order dismissing both the petition of the United States and the application of Shatterproof. (R. 92a, 214a) On February 8, 1956 the Ohio Court entered an order denying Shatterproof's application for a new trial. (R. 215a-216a)

On February 26, 1957, a hearing was had on Shatterproof's motion for a summary judgment. (R. 216a) On July 19, 1957, Judge Leahy rendered an opinion granting the motion for summary judgment (R. 164a, reported at 154 F. Supp. 890). In brief, Judge Leahy held that petitioner was barred from enforcing its patents against defendant because by its misuse of its patents it had illegally extended the monopoly of the patent grant and because it had violated provisions of the Toledo decree. (R. 164a-177a, 216a)

On July 15, 1955, petitioner filed suit in the U. S. District Court for the Southern District of Indiana, Terre Haute Division, Civil Action TH55-C-37, charging infringement against Hamilton Glass Company, Inc. (R. 190a) On July 3, 1957, the Indiana Court granted Hamilton's motion for summary judgment for the same reasons as the Delaware Court. (R. 196a-197a)

The Delaware Court did not enter an order, so petitioner could not appeal. Petitioner did appeal from the

Indiana Court Order. On April 24, 1958, the U. S. Court of Appeals for the Seventh Circuit reversed the Indiana Court order for summary judgment, and remanded the cause "for a trial and such other proceedings as may be proper."

On July 9, 1958, before the Delaware Court entered the order dismissing the complaint, petitioner filed in the Ohio Court a "Petition of the American Securit Company for Contruction of and Directions for Carrying out Final Judgment." On August 19, 1958, the Ohio Court entered an order directing the United States, Hamilton Glass Company, Inc., and Shatterproof, to show cause on September 16, 1958 why the petition of Securit should not be granted and an order entered in accordance with its prayers. (R. 218a)

On September 3, 1958 Shatterproof filed a motion for preliminary injunction in the Delaware Court to enjoin petitioner from further prosecuting its petition in the Ohio Court until termination of the action in the Delaware Court and the appropriate Courts of Appeal. The motion was heard by the Delaware Court on September 11, 1958. (R. 218a)

On September 15, 1958, Judge Edwin D. Steel, Jr. entered an order enjoining petitioner from any action in the Ohio Court

> "which will seek a determination, finding or any other type of adjudication or judicial expression against Shatterproof which is in conflict with any one or more of the following views expressed by Judge Leahy in The American Securit Company v. Shatterproof Glass Corporation, 154 F. Supp. 890 D. C. D. Del. 1957 * * *" (R. 221a-222a)

On September 22, 1959, Judge Steel entered an order dismissing Counts I to IV of the complaint on the basis of the decision of Judge Leahy. (R. 224a, 225a)

On September 16, 1958 Judge Kloeb held a hearing in the Ohio Court on Securit's petition (R. 237a). At the conclusion of the hearings, Judge Kloeb stated (R. 251a) (119 USPQ 86; 1958 CCH Trade Cases ¶ 69,147):

> "Gentlemen, I have given this matter considerable study in the last few days, such time as I could devote to it. I feel some step ought to be taken by this Court, not only to apprize The American Securit Company of its true position under the Consent Decree, but also to govern all other concerns that might in the future desire to use these patents or refrain from using them."
>
> * * * *
>
> "I think that an order may enter finding from the circumstances in this case that there has been no violation of the Consent Decree by the package licensing practice that has been followed by the Petitioner for the past ten years.
>
> "What other courts may determine is their business if they have the issue before them. This is the conclusion of this Court, and this Court has lived with this matter for the past ten years." (R. 253a)

On September 29, 1958 the Ohio Court entered an Order construing petitioner's licensing practices under the Toledo decree. (R. 254a; 119 USPQ 89-91)

This Order contained the following conclusions:

> "1. This Court has jurisdiction to consider the petition and enter an order of construction of the Consent Decree for the guidance of petitioner and all others who may be interested in petitioner's patents.
>
> 2. The grant by petitioner of a license to use all its patents for a flat royalty in a single document, does

not violate the Consent Decree, whether or not this be called a "package."

3. Petitioner did not violate the Consent Decree by advising an applicant it would not license an individual patent for less than the royalty charged for all its patents.

9. The objective of the Consent Decree was to prevent practices which violated the antitrust laws. None of the petitioner's licensing practices as set forth in its petition, and none of the provisions of its standard license contract violate the Consent Decree."

REASONS FOR GRANTING THE WRIT

Summary

The Third Circuit held that where petitioner had granted licenses to seven licensees for a flat royalty of 2¢ per square foot of tempered glass made by the use of any, some or all of its tempering patents, its refusal to grant Shatterproof a license to use only some of those patents at a lower royalty, was a patent misuse depriving petitioner of its right to sue for infringement. It also held this refusal was a violation of the compulsory licensing provisions of the Toledo consent decree, although Shatterproof had an absolute right to petition the Ohio Court to fix the lower royalty rate it desired.

The Third Circuit affirmed the finding of the Delaware court that petitioner had violated the consent decree, specifically disagreeing with the Ohio Court's finding that petitioner had not violated its decree.

The Third Circuit's decision is in conflict with decisions of this Court, the Fourth and Seventh Courts of Appeals, and the Ohio District Court.

The decision is of great importance as it affects the licensing practices of all patent owners. It shifts from the patent owner to the licensee the right to determine the royalty rate for use of a patent.

The decision is of great importance as it construes a standard form of antitrust decree. The Department of Justice has stated in 1956 there were 79 antitrust decrees providing for compulsory licensing. (Statement of Acting Assistant Attorney General Robert A. Bicks before the American Bar Association, August 26, 1959.

It is important that this court determine (a) whether only the court which entered an antitrust decree has the power to judge whether it has been violated, and (b) whether a construction of an antitrust decree by the court which entered it must be followed by other courts.

1. Conflict with Decisions of this Court.

The decisions of the Delaware and Third Circuit Courts conflict with the principles announced in *Transparent-Wrap Machine Corp.* v. *Stokes & Smith*, 329 U. S. 637 (1947) and *Automatic Radio Mfg. Co.* v. *Hazeltine Research Inc.*, 339 U. S. 827 (1950).

The court below interpreted Judge Leahy's opinion as

> "concluding that Securit's policy of refusing to grant a license under one or more of its patents, unless a license was taken under all in the package for a fixed royalty, constituted (1) unlawful coercion and an illegal extension of patent monopoly and (2) a violation of the Toledo decree, and that for these reasons Securit was barred from enforcing its patent rights in the instant case." (36)

The Third Circuit posed the question for determination as follows:

> "Can it be said that the conjoint licensing by mandate of the patentee of two or more apparatus

> or process patents in the same art, whatever the nature of their disclosures, whether for basic inventions or mere minor improvements, will sustain a charge of a patent misuse?" (43)

The Third Circuit answered in the affirmative.

It is *important* to note that the courts below held the compulsory licensing of two or more patents is *per se* a patent misuse

(1) regardless of the nature of their disclosures;

(2) regardless of whether one is a basic invention and another a minor improvement;

(3) regardless of whether they are product, apparatus, or process patents;

(4) regardless of whether the package of patents are dominant in the art. (42-43)

The Third Circuit cited no reasons for its conclusion of patent misuse other than "Equity will not countenance such a result." (44) It stated specifically that it was not concerned with any question of violation of the antitrust laws, but did discuss antitrust cases based upon illegal tying clauses or unlawful extension of a monopoly. (43) Yet there was no evidence of the effect of petitioner's alleged practice on competition in the field of the patent, and no consideration of the relevant market for the product, in the production of which the patents were useful.

Neither the ownership of multiple patents nor joining them in a single license adds to the lawful monopoly already granted by Congress. In *Transparent-Wrap*, this Court held that tying improvement patents to the basic patent did not constitute an unlawful monopoly. (p. 647) *Morton Salt* v. *Suppiger*, 314 U. S. 488 (1942) involved an allega-

tion of violation of Section 3 of the Clayton Act by tying-in an *unpatented* product.

The mere tying together of two products, does not establish a violation of the antitrust laws, so the *mere* tying together of two patents cannot be a misuse which destroys the owner's right to receive royalties. In *Northern Pacific Railroad Co.* v. *United States*, 356 U. S. 1, 6 (1958) this Court pointed out that a tying arrangement may *not* be illegal if it does not restrain *some* trade, or have *some* effect on competition.

The nature of the patent right and its relation to the antitrust laws has been misunderstood. Since the antitrust law, as a general matter, frowns upon monopoly, while under the patent law Congress expressly grants a right to exclude others, phrases such as "restraint", "monopoly", "tie-in" and "block-booking" are inapplicable.

The purpose of the patent law to encourage invention, and reward the inventor, is not limited to the boundaries of a single issued patent. The rewards to inventors are intended to encourage research and competitive inventions. But the competition is defined in terms of competing technologies, not in terms of patents. A single competitive technology may encompass any number of patents. Whether the several claims of a single patent, or the various claims of a group of patents, are involved is immaterial. In some instances the Patent Office itself may be responsible for the issuance of several patents rather than one. Section 121 of the Patent Code is intended to make this matter largely discretionary with the Patent Office.

This Court carefully distinguished the monopoly rights accruing to a patentee under the patent laws from situations where the public interest is involved in monopolies or restraints of trade under the general laws, stating in *Transparent-Wrap* (p. 644):

> "One who uses one patent to acquire another is not extending his patent monopoly to *articles* gov-

> erned by the general law and as respects which neither monopolies nor restraints of trade are sanctioned. He is indeed using one legalized monoply to acquire another legalized monopoly." (italics supplied)

In *Transparent-Wrap,* Justice Douglas discussed *Morton Salt* v. *Suppiger,* 314 U. S. 488 (1942) and *Mercoid* v. *Mid-Continent,* 320 U. S. 661 (1944), and based the distinction on the fact that in those two cases the patentee reached through, beyond the licenses, to control the sale of the unpatented products.

Far from constituting a misuse, this Court said in *Hazeltine* (p. 834) "What it [the licensee] acquired by the agreement into which it entered was the *privilege* to use any or all of the patents and developments as it desired to use them" (italics supplied).

In every instance where the cases show the imposition of a penalty, or the use of injunction, or the condemnation of a contract, the licensor had used the license to reach through and beyond the license and its royalty, to impose some direct control on the use or the price of the product. There is no case which holds that the mere collecting of a royalty on a process is condemned.

The Third Circuit's decision is in direct conflict with this Court's decision in *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc., supra.* The factual situations are very similar. Hazeltine did not manufacture or sell goods. Neither did petitioner. The sole business of both companies was licensing their patents to enable licensees to produce the products which entered trade or commerce. This Court held there was no patent misuse where a licensor of a group of patents required the licensee to pay royalties on a percentage of sales, even though *none* of the patents were used. Petitioner's licenses charge a flat 2¢ for the use of any, some, or all of its patents, but does *not* charge if no patent

is used. Therefore, petitioner's license does not go as far as the *Hazeltine* License.

Petitioner's patents are used to temper glass. (R. 26a, 189a, 244a) The only place at which competition is involved is in the sale of the tempered glass. If one licensee uses only one of petitioner's patents to produce tempered glass, while another licensee uses several, and they both pay the same price for the privilege of using whichever patents they wish to produce the same product, competition is in no way restrained or affected.*

As this Court stated in *Transparent-Wrap* (p. 640):

> "Respondent pays no additional royalty on any improvement patents which are used. By reason of the agreement any improvement patent can be put to immediate use and exploited for the account of the licensee and that benefit continues so long as the agreement is renewed. The agreement thus serves a function of supplying a market for the improvement patents."

2. Conflict with decisions of the Fourth and Seventh Circuits on question of patent misuse.

The Third Circuit's decision conflicts with the Fourth and Seventh Circuit decisions in *Baker-Cammack Hosiery Mills* v. *Davis Co.*, 181 F. 2d 550 (4th Cir., 1950); *Hazeltine Research, Inc.* v. *Avco Manufacturing Co.*, 227 F. 2d 137 (7th Cir. 1955); *Apex Electrical Mfg. Co.* v. *Altorfer Bros. Co.*, 238 F. 2d 867, 872 (7th Cir., 1956); and *Hazeltine Research, Inc.* v. *Admiral Corp.*, 183 F. 2d 953 (7th Cir. 1950).

In *Apex Electrical Mfg. Co.* v. *Altorfer Bros. Co.*, 238 F. 2d 867 (7th Cir. 1956), the court reversed a judgment

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*Shatterproof considered petitioner's patents were "of limited scope which appear not to be essential to the manufacture of satisfactorily tempered glass, and for most of which alternatives are available." (R. 79a)

holding that there was a misuse of patents under the anti-trust laws. It held valid a practice under which applicants could obtain a license under one, two, or three patents for the same royalty. It held that this did not constitute requiring licensees to take unwanted patents.

In *Baker-Cammack Hosiery Mills* v. *Davis Co.*, 181 F. 2nd 550 (4th Cir. 1950), the defendants alleged misuse in an infringement suit on several grounds, including one: "that the licensee is required to take a licensee for all fifteen patents at 2¢ per dozen pairs, and may not obtain a license under a smaller number of patents at a smaller royalty;" (p. 569).

The Court stated (p. 570):

> "* * * nowhere in this case does it appear that free competition has been stifled or that any attempt has been made to control the producers as to prices or quantities or areas of production. Furthermore, the patent privileges have been offered freely to all manufacturers and it is to their obvious advantage to possess the right to incorporate in their output all the modern improvements in the manufacture of hosiery.
>
> * * * *
>
> "The defendants and their associates cannot complain of hardships heretofore imposed upon them. Not only have they paid no royalties for the use of the inventions, but they have defied the owners of the patents and are now contending that even if they are infringers, they cannot be required to pay damages since the plaintiff does not come into court with clean hands. * * *"

The reference by Judge Leahy in footnote 13 of his opinion to the *Apex*, *Avco*, and *Baker-Cammack* cases is difficult to understand, as those three decisions are exactly contrary to Judge Leahy's ruling (R. 172a).

3. Conflict with Decision of District Court of Ohio.

The decision of the court below is concededly in conflict with the decision of Judge Kloeb in the District Court for the Northern District of Ohio, Western Division. The conflict is just as serious as if it were between two circuit courts of appeal, since the District Court's opinion was final, and appealable only to the Supreme Court. 15 U. S. C. Section 29. The Third Circuit acknowledged that on September 16, 1958 "Judge Kloeb delivered an oral opinion in which he concluded that there was no violation of the consent decree by the package licensing plan followed by Securit for the preceding ten years." (38)

The Third Circuit (1) disagreed with the Ohio court's finding that Shatterproof's application for a license was *not* made in good faith (41); and (2) ruled it is "crystal clear" that petitioner violated the Toledo consent decree "despite Judge Kloeb's holding to the contrary." (39, 46)

The disagreement was specifically acknowledged by the Third Circuit, when it said:

> "We are aware, of course, that Judge Kloeb framed the consent decree and his views as to its interpretation are entitled to great weight but we cannot agree with them." (46)

4. The Decision of the Third Circuit Conflicts with the Seventh Circuit's Decision on Summary Judgment.

On July 15, 1955 petitioner filed suit for infringement against Hamilton Glass Company, Inc. in the United States District Court for the Southern District of Indiana. (R. 190a) On July 3, 1957 the Indiana Court granted Hamilton's motion for summary judgment on the same grounds as the Delaware Court. On April 24, 1958, the Court of

Appeals for the Seventh Circuit reversed the Indiana Court order for summary judgment, and remanded the cause for a trial. (254 F. 2d 889)

The record before the Third Circuit was substantially the same as that before the Seventh Circuit, and the issues determined were identical. The Third Circuit's opinion did not discuss petitioner's points in support of its contention that the record was not adequate to support a summary judgment.

The following items illustrate the conflict between the decisions:

1. Judge Leahy and the Third Circuit accepted as a fact "that plaintiff has consistently refused to license individual patents", citing the deposition of Robert Ingouf (R. 170a, 271a). The Seventh Circuit found in Ingouf's deposition evidence of licenses of different numbers of patents. It also concluded from the Shatterproof correspondence that petitioner had offered to license an individual patent (p. 891).

2. Judge Leahy did not make any finding that Shatterproof had made a bona fide application to petitioner for a license, but the Third Circuit did make such a finding—thus disagreeing not only with Judge Kloeb, but with the Seventh Circuit. (41) Speaking of both Shatterproof and Hamilton, the Seventh Circuit said: (pp. 891-892)

> "Moreover, there is no evidence that the seven applicants who received plaintiff's standard license between 1947 and 1949, [sic] were forced to accept it. In fact there is no unequivocal evidence that *anyone, including defendants*, ever applied either to plaintiff or the federal district court at Toledo, Ohio, which entered the consent decree referred to in the summary judgment herein, for licenses and were refused. It seems clear that this failure of proof undermines the district court's holding which is based on a *refusal by plaintiff*." (italics supplied)

3. Judge Leahy concluded that petitioner's contention that giving Shatterproof a lower royalty "would have resulted in discrimination against the existing licensees is without merit." (R. 176a) The Third Circuit considered this refusal to grant a lower royalty as showing there was "no genuine issue of material fact." (41) The Seventh Circuit stated: (p. 892)

> "Speaking of a statement in a letter which plaintiff sent to Shatterproof that plaintiff did not 'concede any obligation to apportion this royalty among the different patents', Judge Kloeb said:
>
> > "The Court can well see how an attempt to so apportion might result in discrimination: * * *'.
>
> These views of the judge who entered the consent decree emphasize the complexity of the issues involved in the case at bar, a complexity the dissipation of which requires a thorough trial before the court where witnesses for one side may be cross-examined by the other side, all subject to the traditional safeguards in the law of evidence, as we shall now point out."

4. The completely opposite conclusions of the two Courts of Appeal are illustrated in the following:

The Third Circuit (46):

> "We conclude *nonetheless* that the present record affords a sufficient basis to decide the ultimate and important issue involved in this case and that it is unnecessary to vacate the judgment of the court below to the end that the record may be enlarged." (italics supplied)

The Seventh Circuit (pp. 892-893):

> "From the pleadings of the parties, as well as their briefs in this court, it appears that important

> questions of substantive law must eventually be decided. However, no court should attempt such a decision until all pertinent facts are ascertained. If the record shows, as we believe it does, that genuine issues of fact exist and that the evidence on those issues is conflicting, of uncertain weight, in part incompetent, and itself susceptible of various interpretations, only by a trial can the court ascertain the pertinent facts and move on to decide such questions of substantive law as those facts present. In such a situation entry of summary judgment is not the proper method."

The Third Circuit held that the "conjoint licensing by mandate of the patentee of two or more apparatus or process, patents in the same art, whatever the nature of their disclosures" (43) is a patent misuse *without examining the patents.* The court noted "that not a single one of the patents * * * is in the record before us." (42) If the law relating to antitrust violations and the law relating to patent misuse are to be based on reality instead of fantasy, there should be a trial at which a court could consider what effect the package license had on anybody—Shatterproof, competitors of Shatterproof, petitioner's other licensees, the general public, or the possible owners of other patents used in the tempering art. As the Seventh Circuit stated, only by a trial can all the facts be developed which are essential to a determination of the important legal questions involved.

5. This Court Should Determine Whether:

(a) Only the court which entered a consent decree has power to judge whether it has been violated, and (b) A construction of a consent decree by the court which entered it must be followed by other courts.

The decision of the court below raises a question of great importance in the administration of the antitrust laws. An antitrust decree is drawn to fit the exigencies of

a particular case. "A public interest served by such civil suits is that they effectively pry open to competition a market that has been closed by defendants' illegal restraints." *International Salt Co.* v. *U. S.*, 332 U. S. 392, 401 (1947) District Courts retain jurisdiction over the defendants for the purpose of enforcing such decrees.

Where a decree is entered after a trial, the trial court is the only court which has knowledge of the market conditions the decree was designed to correct. Whether conduct of a defendant violates a decree is a question which can best be determined by the court which entered it.*

The decision of the court below is in conflict with the decision of this Court in *United States Gypsum Co.* v. *U. S.*, 352 U. S. 457 (1957). The situation there was similar to the instant case. A patent owner, defendant in an antitrust decree, brought suits for infringement in the Iowa and New Jersey District Courts. The alleged infringers *and* the Government petitioned the antitrust court in the District of Columbia to enjoin the infringement suits on the ground the patent owner was misusing the patents. This Court stated that the issues of misuse and purge

> "should be tried and disposed of by the antitrust court rather than the Iowa court, both for reasons already given, supra, pp. 464, 465, and because of the antitrust court's familiarity with what has occurred in these protracted litigations. However, should the antitrust court conclude that Gypsum is not barred from recovery on Counts III, IV, or V by reason of unpurged patent misuse, we think that the trial and disposition of all other issues, including any

*Although this was a consent decree, there had in fact been a two-month trial before Judge Kloeb. After the Government's case case was concluded, a recess was taken, during which the consent decree was negotiated. Thus, Judge Kloeb had personal knowledge of the matters covered by the decree. (R. 109a, CCH Federal Antitrust Laws 1890-1951 "Blue Book" Case No. 822, page 324).

> defense of patent validity, should then take place in the District Courts in which the two suits are pending. There is no reason why the three-judge court should be burdened with such issues." (p. 476)

This case demonstrates the necessity for this Court to determine whether the efficient administration of the antitrust laws is better served by holding that the antitrust court has sole power to construe its own decrees. In *Gypsum* this Court foresaw the possibility of conflicts where different district courts other than the antitrust court attempted to construe an antitrust decree. The conflict here is even more serious. The Delaware Court has held that petitioner is guilty of violating the Toledo consent decree. If this is so, petitioner is in contempt of the Ohio Court. Yet the Ohio Court, after considering the identical issues, has specifically ruled that petitioner is *not* guilty of violating the decree.

The decision of the Ohio Court is binding upon petitioner throughout the jurisdictional limits of the United States. The decision of the Third Circuit is binding only within the three states of Delaware, Pennsylvania and New Jersey. Beyond the boundaries of the Third Circuit, that Court's decision is only a precedent. As of today, petitioner is free to bring suits for infringement everywhere except within the Third Circuit. Do other District Courts have the authority to find petitioner guilty, contrary to the holding of the Ohio Court? May petitioner maintain infringement suits only within the Northern District of Ohio, or in all states other than the Third Circuit?

If petitioner violated the Toledo decree, it is in contempt of the Ohio Court, which is the only court that may punish it, or enter such order as is necessary to correct any injury which has been done to its decree. Other courts may determine whether petitioner has violated the antitrust laws aside from the decree, but not whether petitioner has violated the Toledo decree. The obligation of petitioner to

grant anybody a license arises *only* under this consent decree. But for the consent decree petitioner had the right to refuse to license any of its patents to Shatterproof. *Hartford-Empire Co.* v. *United States,* 323 U. S. 386, 424 (1945). For these reasons, the decree cannot be enforced by other courts than that of Ohio.

An important reason for requiring such determination to be made by the antitrust court is that its decision determining whether the practices complained of violate the decree is a construction binding upon *all* the parties to the decree. The Government urged this before the Ohio Court in October 1955 as a ground for enjoining petitioner from suing Shatterproof in Delaware. (R. 191a-193a) Furthermore, the Attorney General may appear before the antitrust court as of right, and protect the interest of the public. He can bring before the court evidence which may be beyond the jurisdiction of the infringement suit court.

It is not in furtherance of the purposes of the antitrust law that one company which uses petitioner's patents be given by one court a free license to the disadvantage of its competitors who are obligated by another court to pay royalties.

By dismissing the suit the Delaware Court in effect enjoined petitioner from suing a confessed infringer, one ground being the alleged violation of the consent decree. Was this proper, after the court had suspended proceedings while the United States petitioned the Ohio Court, and the Ohio Court had then refused to enjoin the suit?

The opinion of Judge Kloeb rendered on October 19, 1955 shows clearly that his declining jurisdiction did *not* mean he preferred to permit the Delaware Court to determine the issue of misuse due to violation of the decree, but that since Shatterproof came before him with "unclean hands," he would *not* undertake to determine a reasonable royalty, and would *not* enjoin petitioner from suing for in-

fringement. (R. 102a, 105a, 107a) Judge Kloeb confirmed this interpretation at the hearing on September 16, 1958. (R. 238a, 239a, 240a, 241a, 244a, 246a) He pointed out that the question of construction of the decree was not before him in 1955. Judge Kloeb said to Government counsel (R. 247a):

> "* * * when Judge Leahy had the question presented to him by Shatterproof in its Answer alleging that Securit was violating the Consent Decree, couldn't he at that point have said, 'We will permit that matter to go back to the mother court, and in the meantime we will stop this proceeding and both Shatterproof and Securit may go before the Court in Toledo on the question of construction of the Consent Decree.'"

The best answer to the problem was stated by Judge Kloeb as follows: (R. 248a)

> "In the meantime, you have confusion. I have seen these suits multiply. Now they are two in number. If this Court took no action you would have a third, a fourth, a tenth, in the course of the next two or three years. Don't you think that ought to be foreclosed in a way by some expression upon the part of this Court as to whether or not the package deal, as practiced by Securit in this instance, is in violation of the Decree?"

Judge Kloeb interpreted Shatterproof's attitude as "the classical position taken by infringers: 'We doubt very much the validity of your patents and we expect to attack their validity.'" (R. 108a) Judge Kloeb noted with considerable disapproval that Shatterproof conceded it began using petitioner's patents in 1953, but had made no application to Judge Kloeb to fix a reasonable royalty. (R. 115a-116a) He was annoyed that Shatterproof presumed it had a "free license," and could sit by and wait to be sued. Judge Kloeb said "Why didn't you apply to the Court

instead of proceeding to make use of the patents? That is the thing I can't understand." (R. 119a) "Why didn't you appeal to the Court instead of taking the law into your own hands?" (R. 120a)

The interpretation of Judge Leahy is completely contrary to Judge Kloeb's statements that since Shatterproof had stalled for 5 years, used petitioner's patents, and had not applied to Judge Kloeb until *after* suit was commenced in Delaware, Shatterproof could not obtain benefits under the decree, but would have to defend in Delaware on the grounds of either invalidity or no infringement. (R. 85a, 107a, 133a, 143a, 148a) Judge Kloeb refused the Government's request to enjoin petitioner from suing Shatterproof for infringement. In spite of this, Judge Leahy did enjoin petitioner, and the Third Circuit affirmed.

6. This Court Should Determine Whether it is Per Se a Patent Misuse for the Owner of a Group of Patents to charge the Same Royalty for use of some as for all of its patents.

While the Third Circuit's ruling is predicated upon the *conclusion* that petitioner *compelled* licensees to accept a license under *all* its patents or *none* at all, both it and the Delaware Court conceded that *in fact* petitioner had offered to grant a license on the specific patents requested. Both courts concluded that since petitioner conceded it asked a 2¢ royalty for the four patents desired by Shatterproof, while charging 2¢ for the use of all its patents, that petitioner was *in effect* compelling Shatterproof to take a license under all the patents. (41)

The *essence* of the decision below, then, is not that petitioner required licensees to accept a license under unwanted patents, but that it was unlawful for petitioner to charge the same royalty for 4 patents as for a larger group which included the four patents.

It can not be a patent misuse to charge the same royalty for a single patent as for a group containing the single patent, unless it is not lawful for a patent owner to charge the same royalty for one patent as for all its patents *under any circumstances*. The decision appears to conflict with the principle in *United States* v. *General Electric Co.*, 272 U. S. 476, 490 (1926), where this Court stated the test for determining the extent of the reward to which a patentee is entitled.

7. This Court Should Determine Whether Package Licensing of Patents is a Violation of the Standard Provisions Used by the United States in many Antitrust Decrees.

The decision of the court below is of great importance, not simply because it conflicts with the decision of the Ohio court, but because the provisions of the antitrust decree involved are common to many antitrust decrees. The ruling may not only deprive patent owners throughout the country of the right to royalties, but sets a precedent for finding them guilty of contempt of court.

The Delaware court quoted Paragraphs XIV-B and XVII (1)(a) of the Toledo Decree in a footnote. (R. 175a, 7b-9b, the full decree is found in CCH 1948-1949 Trade Cases ¶ 62,323) The Delaware and Third Circuits both held that petitioner's standard form license violated those sections of the decree, and that petitioner's refusal to grant Shatterproof a lower royalty violated the decree. (R. 175a, 46) The license provides for a royalty *only* when a patent is *used*. When the patent *used* by a licensee expires, there is nothing in the license requiring it to pay any royalty. (R. 57a) The consent decree permits a licensee to contest the validity of any of the patents, and the license does not require payment of royalties on invalid patents. (R. 59a, 9b, paragraph XIV-E, 1948-1949 CCH Trade Cases ¶ 62,323).

Petitioner contends that since the Toledo decree gave the Ohio Court complete authority *with petitioner's consent*

to require petitioner to grant whatever license the Ohio Court considered necessary to avoid even the effect of an antitrust law violation, and the right of Shatterproof or any other person to convince the Court of what was so necessary, it is impossible for petitioner to violate those sections of the decree. Therefore, there cannot be a misuse based upon the decree.

The Ohio Court so ruled during the hearing on defendant's application on October 19, 1955, (R. 101a), and in 1958 made the specific finding (R. 259a):

> "6. Petitioner is unable to prevent the issuance of a license on patents subject to Section XIV, as any bona fide applicant has a right to apply to this Court to determine a reasonable royalty rate, and after such application has been made, such applicant has the right to use the patents, subject to paying whatever royalty is fixed by this Court."

In the special circumstances of this case, petitioner did *not* have the power to violate the consent decree. Even if its licensing practices *might* be illegal under some *other* circumstances, they cannot be here. The consent decree deprived petitioner of the power to compel any one to submit to its practices. (R. 122a) All patents licensed by petitioner were completely subject to the control and supervision of the District Court for the Northern District of Ohio. (R. 259a)

Fundamental to this case is the fact that petitioner could not refuse a license to anybody. There is this vital distinction between petitioner and a patent owner who is not operating under an antitrust decree.

CONCLUSION

The decision below is erroneous and in conflict with rulings in the Fourth and Seventh Circuits and the Ohio court. It is contrary to principles announced in decisions of this court. It presents several questions of substantial

importance on the rights of patent owners, the doctrine of patent misuse, violation of the standard provisions of many antitrust decrees, and the power of one district court to construe and find a violation of an antitrust decree of another court.

The decision of the court below was severely punitive. It closed the door of that court to petitioner, denied it a hearing against an infringer, and insisted petitioner cancel all its licenses and lose all its income. If Shatterproof or any other person desiring to use petitioner's patents had applied to the Ohio Court, the most that the Ohio Court could or would have done was to set a royalty rate lower than 2¢. It could not and would not have destroyed the property right of petitioner in its patents as Judge Leahy did. Even if it be held that Judge Leahy had the authority to construe or interpret the Toledo decree, he could not justly render a judgment or impose a penalty greather than that authorized for the Ohio Court.

The holding below has created new law of far-reaching consequence to all owners of patents, and raises serious problems in the administration and enforcement of antitrust decrees. The petition for a writ of certiorari should be granted.

Respectfully submitted,

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